

# **Revenue Enhancement Concepts and Projections**

**November 17, 2014**



# Increasing the Markup

	Net Revenue Increase	
	<u>FY15</u>	<u>FY16</u>
1%	\$1,461,653	\$2,535,529
1% Dec, 1% May	\$1,875,993	\$5,040,873
2%	\$2,905,905	\$5,040,873
3%	\$4,332,756	\$7,516,032
4%	\$5,742,207	\$9,961,006

- ▶ The current average retail price is approximately \$15.00
- ▶ A 2% increase in the markup equates to an increase of \$0.20 on the average retail price

# Case Handling

- ▶ Current case handling fee is \$1.00
  - ▶ Last updated in 1988
- ▶ Current cost per case for Logistics division is \$2.07

	Net Revenue Increase	
	FY15	FY16
\$2 case handling	\$2,966,406	\$5,203,779
\$2.25 case handling	\$3,665,083	\$6,429,426

- ▶ A \$2 case handling fee will equate to an increase of \$0.20 on the average retail price

# Increasing 50mL Markup

- ▶ Markup on 50mL was reduced from 70% in 1994 to encourage product trial

	Net Revenue Increase	
	<u>FY15</u>	<u>FY16</u>
49% → 65%	\$696,548	\$1,263,231
49% → 69%	\$855,060	\$1,550,703
49% → 71%	\$887,126	\$1,608,856

- ▶ The current retail price of the #1 selling 50mL is \$1.30
- ▶ Increasing the markup to 69% will equate to an increase of \$0.15 in the retail price

# Supplier and Industry Response

- ▶ Increasing License Fees
- ▶ Rounding to \$0.09
- ▶ Increasing Special Order markup
- ▶ Opening More New Stores
- ▶ Expanding Hours of Operation

# Supplier & Industry Feedback

- ▶ **Increasing License Fees**
  - ▶ FY2014 License Fees = \$12M
  - ▶ Requires legislative change
  - ▶ Would not have impact until FY16
  
- ▶ **Rounding to the “nines”**
  - ▶ Have all prices end in increments of \$0.09
  - ▶ Increased revenue in the range of:
    - \$1.5M for FY15
    - \$2.7M for FY16
  - ▶ Rounding to the “nines” equates to an increase of \$0.04 or \$0.09 in retail price

# Supplier & Industry Feedback

- ▶ **Increasing Special Order markup**
  - ▶ FY14 Special Orders = \$4.3M in sales
  - ▶ Suggested change from 5% to 10%
  - ▶ Increased revenue in the range of:
    - \$38,000 for FY15
    - \$69,000 for FY16

# Supplier & Industry Feedback

## ▶ Opening More New Stores

- ▶ Current target is 7 to 8 new stores each year
- ▶ Maintains population density per store
- ▶ Takes an average of 1 year to go from identification to opening of a new store
- ▶ Payback period of 16 months
- ▶ \$140,000 incremental revenue per store years 2-5
- ▶ Similar results could be expected with new stores opening in FY15 (i.e. revenue realized in FY17)

# Supplier & Industry Feedback

- ▶ **Expanding Friday-Saturday Operational Hours**
  - ▶ 304 of 350 stores are open to 9pm or later on Friday and Saturday
  - ▶ Volume of business (transactions and sales) used to justify later store hours upon request
  - ▶ Customer and employee safety considerations
  - ▶ Business hours of adjacent retailers
  - ▶ Projected revenue undetermined
    - Concern of spreading business rather than generating incremental revenue

# Supplier & Industry Feedback

## ▶ **Expanding Sunday Operational Hours**

- ▶ Currently open from 1pm - 6pm
- ▶ Opening prior to 1pm on Sunday requires legislative change
- ▶ Busiest hour is 1pm – 2pm
- ▶ The last hour (5pm – 6pm) is the second busiest hour
  - Projected revenue is uncertain
  - Continue to evaluate stores to identify which provide the best opportunity for later hours

# Implementation

## Dec. 1<sup>st</sup> Effective Date

Pro:

- ▶ Captures sales for entire peak month of December
- ▶ Coincides with monthly price changes

Con:

- ▶ Limits time for suppliers to adjust prices if so desired

## Dec. 8<sup>th</sup> or 15<sup>th</sup> Effective Date

Pro:

- ▶ Allows more time for suppliers to adjust prices if so desired

Con:

- ▶ Requires store personnel to reset shelf prices twice
- ▶ Reduces opportunity for additional revenue

# ABC's Infrastructure Needs

- ▶ Critical Aging Technical Infrastructure
  - ▶ Financial Management System
    - 15 year old system for finance and accounting
    - \$1.8B worth of transactions at risk if system fails
    - More than \$10M to replace
  - ▶ Point-of-Sale System
    - Current system in 350 stores (28M+ transactions)
    - Software & hardware replacement estimated at \$20M
  - ▶ Numerous other aging systems built using obsolete languages with limited technical support available
- ▶ E-commerce Initiatives for retail and licensee customers
  - ▶ Online license applications and renewals
  - ▶ Online beer and wine wholesaler taxes
  - ▶ Grow online ordering and establish mobile applications